

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 16, 2009
POSITION: Oppose
SPONSOR: Nurse Family Partnership

BILL NUMBER: AB 543
AUTHOR: F. Ma
RELATED BILLS: AB 1829 (Ma, 2008)

BILL SUMMARY: Perinatal Care: Nurse-Family Partnership

This bill would modify the Nurse-Family Partnership Program (NFPP) and the California Families and Children Account (CFCA). Specifically, this bill would: (1) eliminate the requirement for the Department of Finance (Finance) to determine sufficient funds exist to operate the program and, instead, Finance would determine at least \$500,000 is available for the NFPP; (2) eliminate the prohibition of using state funds for the NFPP and, instead, only prohibit the use of General Fund; (3) allow federal funds to be deposited in the CFCA; (4) allow using funds received by the NFPP as matching funds for other grants administered by DPH; and, (5) eliminate the January 1, 2009 sunset date and, instead, require the funds be returned to contributors if Finance is unable to certify a balance of \$500,000 by January 1, 2014.

FISCAL SUMMARY

This bill would have no direct fiscal impact on DPH. According to DPH at the time the statute was created (2006), assuming the program would provide grants to serve all Medi-Cal beneficiaries who are first-time mothers, approximately \$285 million in local assistance and \$2 million in state operations would be needed to administer the NFPP. The basis for this estimate is unknown. However, existing law specifies administrative costs may not exceed five percent of the available fund balance. Assuming a \$500,000 balance, administrative costs would be limited to \$25,000, which is about one-fourth of an analyst position.

COMMENTS

The Department of Finance (Finance) is opposed to this bill for the following reasons:

- Since the program was created by legislation in 2006 (Chapter 878), no private donations or federal funds have been received by the state and the CFCA has not been established. However, the nine existing local programs are receiving funds from various non-state government sources.
- A statewide program is not necessary at this time as currently there are independently-funded NFPPs in nine counties. Funding for these programs is comprised of various funding sources.
- The estimated administrative costs far exceed the amounts allowable under the provision of current statute. The administrative requirements should be reassessed to streamline processes to ensure the cost to administer the program is within the limits of the statute.

Additionally we note:

- Establishing a requirement for federal funds to be deposited in this account, could place constraints on the use of funds if the required balance is not achieved. It is our understanding the purpose of this section is to allow the nine existing programs, not receiving funds from this account but instead from local resources, to use these funds for existing programs. We note this concept has been used for other programs.

This bill would establish a threshold of \$500,000 at which time the Director of Finance would be required to distribute the funds to existing NFPPs via a competitive grant application and award process. Current law

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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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F. Ma

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limits DPH's administrative expenses to 5 percent of funds available in the CFCA. The \$500,000 threshold is problematic in that: (1) \$500,000 is not a sufficient amount of funding to effectively establish a statewide program; and (2) 5 percent of \$500,000 (\$25,000) would not be sufficient funding for DPH to implement and administer the NFPP, a cost estimated to be approximately \$2 million annually to administer a statewide program.

This bill would allow DPH to accept federal funds for the NFPP and require these funds be deposited in the continuously appropriated CFCA rather than the Federal Trust Fund. The Federal Trust Fund was created for the deposit of all moneys received by the state from the federal government where the expenditure is administered through or under the direction of a state agency. The purpose of the Federal Trust Fund is to provide better accountability of the receipts and expenditures of federal funds that are received by the state. Federal funds are usually allocated for a specified activity and specified time period with required reporting on program outcomes. In addition, the process of transferring funds from the Federal Trust Fund to a special fund would create additional administrative workload for the DPH, Finance, and the State Controller's Office.

Currently, nine counties in California administer and independently fund NFPPs. The NFPP is a voluntary program to reduce maternal substance abuse and other behaviors that contribute to family poverty, subsequent pregnancies, poor maternal and infant outcomes, suboptimal childcare, and a lack of opportunities for children. Nothing in current law prevents expansion or creation of locally operated NFPPs. If federal funds become available specifically for a statewide NFPP, the DPH could administer grant awards to counties within the parameters of the NFPP statute. However, until federal funds materialize, the need to continue a statewide program is not clear.

This bill is related to AB 1829 (Ma, 2008), which would have extended to January 1, 2011 the date at which the CFCA would cease to exist if the Director of Finance determined there were insufficient funds in the CFCA to administer the NFPP. That bill was vetoed by the Governor on the basis that the delay in passing the 2008-09 state budget forced him to only sign bills that were the highest priority for California.

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
4265/PublicHealth	SO	No	-----	See Fiscal Summary			-----		0499
4265/PublicHealth	LA	No	-----	See Fiscal Summary			-----		0499
<u>Fund Code</u>	<u>Title</u>								
0499	Pending New Special Funds								